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REPUBLICAN STUDY COMMITTEE

October 29, 2012

The Honorable Ben S. Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution, NW  
Washington, DC 20429

The Honorable Thomas S. Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

The Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance System  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Dear Sirs:

I write to express concern over the most recent proposal for one-size-fits-all Basel III capital requirements. I represent a state where many constituents are served by community banks and their unique characteristics need to be incorporated into any final rule making.

Basel III was intended to respond to deficiencies that contributed to the financial crisis and thus should focus on the few large, complex financial institutions that are globalized and create systemic risk. Applying the Basel framework to small community banks just perpetuates the consolidation of risk into larger institutions. It is in the best interest of consumers and the taxpayers to maintain the diversified banking system in the United States. Adding new legal and compliance costs will reduce the viability of the small town banker and encourage more too-big-to-fail institutions.

Higher capital requirements will ultimately limit the amount of credit community banks can provide to their consumers and imposing complex risk weights on loans will restrict the type of credit they can afford to offer. This changes the fundamental economics behind running a small bank and hurts the local businesses that rely on their financing. Restricting access to credit during our economic recovery is not the way to create jobs and grow businesses.

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While I understand the need for the global community to consider the impact of capital requirements on the financial system as a whole, regulations in the United States should be tailored to our diverse mix of institutions. I urge you to reconsider the need for small community banks to be included in these stringent requirements.

Sincerely,



Cynthia M. Lummis  
Member of Congress